

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

BEFORE THE
ILLINOIS COMMERCE COMMISSION
SECOND ANNUAL
RAILROAD SUPPLIER DIVERSITY POLICY SESSION
Friday, September 13, 2019
Chicago, Illinois

Met pursuant to notice at 11:00 a.m. at 160
North LaSalle Street, Chicago, Illinois.

PRESENT:

CARRIE ZALEWSKI, Chairman
SADZI M. OLIVA, Commissioner
D. ETHAN KIMBREL, Commissioner
BRIEN J. SHEAHAN, Commissioner
MARIA S. BOCANEGRA, Commissioner

SULLIVAN REPORTING COMPANY
BY: JO ANN KROLICKI, CSR
License No. 084-002215

1 CHAIRMAN ZALEWSKI: Good morning. I have
2 11:00 o'clock, so I'm going to go ahead and get
3 started.

4 Welcome. We're excited to have you
5 here for the Illinois Commerce Commission's Annual
6 Railroad Supplier Diversity Policy Session. We have
7 Commissioners Bocanegra, Kimbrel, Oliva, and Sheahan
8 with us here in Chicago. We have a quorum.

9 I'd like to thank all of you for
10 being here today to come and listen to our panelists,
11 for providing us the important information which is
12 the topic of our discussion.

13 Each of you has a unique perspective
14 that is critically important to helping us move the
15 ball forward on supplier diversity issues.

16 Today's session is in response to the
17 Railroad Supplier Diversity Act, Public Act 100-0423
18 stating that Class 1 railroads may submit to the
19 Commission an Annual Report on Supplier Diversity
20 containing information described in Section 5-117 of
21 the Public Utilities Act.

22 The Act also requires the Commission

1 to hold an annual session to hear from railroads or
2 advocates about solutions to improve supplier
3 diversity.

4 Under this statute, the reporting by
5 the railroads is voluntary. This is the second year
6 that Class 1 railroads have reported to the ICC. As
7 a direct response, too, from last year's comments,
8 there are individual reports from each railroad. We
9 appreciate you working with us on that.

10 According to the reports, the total
11 annual diverse spend among Class 1 railroads is more
12 than \$1.5 billion.

13 Illinois needs to work
14 collaboratively with the railroads and their
15 advocates to strive to make inclusion and
16 opportunities for diverse suppliers a priority.
17 Today, you'll hear about the state of supplier
18 diversity among railroads and discuss opportunities
19 to collaboratively seek solutions to encourage
20 diversity in the supply chain.

21 We have railroad representatives to
22 speak about their supplier diversity experiences, the

1 challenges they face, the strategies and best
2 practices to scale opportunities and overcome the
3 challenges.

4 We know we won't find a solution
5 to every challenge here today; rather, this is more
6 of a way to open discussion and, hopefully, some
7 of the comments and suggestions that are made here
8 today will be used to go in the next year and,
9 hopefully, increase the supplier diversity spend even
10 more.

11 In facilitating this discussion, the
12 ICC seeks to encourage an increase of the dollars
13 spent in diverse suppliers, the creation of
14 significant, additional, meaningful opportunities for
15 more diverse businesses throughout the state, and
16 finally, to continue to identify as much state
17 specific data as possible.

18 ICC is proud to be one of the most
19 diverse Commissions in the country. Studies show
20 that diversity sparks innovation in the workplace and
21 creates a more inclusive work environment. Embracing
22 and encouraging diversity in the supply chain and at

1 the Commission is something that the Commission is
2 committed to and will continue to work on.

3 Let's get started with the session.

4 I am going to hand it over to my legal advisor,
5 Tetyana Rabczak, who will introduce the panelists and
6 run our policy session.

7 MS. RABCAK: Thank you, Chairman.

8 Good morning, everyone. And welcome
9 again to our 2019 Annual Railroad Supplier Diversity
10 Policy Session.

11 As Chairman mentioned, Section 10 of
12 the Railroad Supplier Diversity Act states that Class
13 1 railroad companies may no later than April 15 of
14 each year submit to the Commission an Annual Report
15 containing information described in Sections B, C, D,
16 and E of the Section 5-117 of the Public Utilities
17 Act and any additional information, including a
18 National Supplier Diversity Report.

19 This morning, we have this esteemed
20 panel of railroad companies' representatives who will
21 highlight -- provide highlights from their Railroad
22 Supplier Diversity Reports 2018 as well as share the

1 company supplier diversity spend best practices their
2 supplier diversity teams had in 2019 and any changes
3 they anticipate for the next year.

4 With that, I would like to mention
5 that each of our presenters have five minutes to
6 present, and we will have a time on the screen that
7 you can see in front of you.

8 After that, we'll open a Q&A session
9 to the Commissioners, and if we have time at the end
10 of this policy session, we'll open the floor to the
11 public. I just wanted to remind everyone that the
12 subject of this discussion is limited to the agenda,
13 and we cannot discuss any of the open dockets.

14 With that, I would like to present
15 our representatives of the railroads. To the very
16 far end from me is Wes Hutcherson, and I apologize if
17 I butcher anyone's names.

18 Mr. Hutcherson is the General
19 Director of Strategic Sourcing of Supply Chains for
20 Union Pacific.

21 Next, we have Peter Skosey, who is
22 the Executive Director of State Government Affairs

1 from BNSF Railway Company.

2 Next, we have Brett Guarino, who is
3 CSX Transportation and the CREATE Project Manager for
4 CSX.

5 We also have Arielle Giordano, who is
6 the Director of Federal and State Government Affairs
7 from Canadian Pacific.

8 On the phone, we also have Larry
9 Lloyd.

10 Mr. Lloyd, are you with us?

11 MR. LLOYD: I am. Thank you.

12 MS. RABCZAK: Thank you.

13 Mr. Lloyd is the Manager of
14 Government and Public Affairs Corporate Services for
15 CN.

16 Also, on the phone, we have Melissa
17 Smith.

18 Miss Smith, are you on the phone?

19 MS. SMITH: I am. Good morning.

20 MS. RABCZAK: Thank you very much.

21 Melissa is the Manager of Procurement
22 from Kansas City Southern.

1 We also have on the phone, Lisa
2 Hollman.

3 Ms. Hollman, are you there?

4 MS. HOLLMAN: I am. Good morning.

5 MS. RABCZAK: Thank you very much.

6 Miss Hollman is Sourcing from Norfolk
7 Southern -- Representative of the Sourcing from the
8 Norfolk Southern Company.

9 With that, I would like to open the
10 floor to Mr. Hutcherson. Thank you.

11 MR. HUTCHERSON: Good morning. Union
12 Pacific as well as all railroads is participating in
13 this policy session at the request of the Illinois
14 Commerce Commission. Our purpose is participating --
15 in participating is to provide the Commission with
16 information regarding supplier diversity.

17 Compliance with all laws,
18 particularly the antitrust laws, is a paramount
19 policy for all railroads. It is undoubtedly a policy
20 for all companies and entities represented at this
21 policy session.

22 To ensure compliance with antitrust

1 laws, we will not discuss the following topics:
2 Transportation terms and conditions of any carrier or
3 any receiver -- shipper receiver, or passenger
4 carrier; standardizing or stabilizing prices to,
5 from, or among competitors for transportation
6 equipment, supply and equipment repairs; boycotts or
7 refusals to deal with any particular entity, carrier,
8 vendor or shipper's pricing or marketing practices;
9 modifications to carrier, vendor, or shipper specific
10 rate or charges; industrywide guidance, standard
11 procedures, or agreements that would restrict
12 competition; any topic that might give the appearance
13 of discussing the prohibited topics I have just
14 mentioned.

15 While collective action to support
16 the development of sound public policy,
17 legislation, and regulations enjoys qualified
18 antitrust immunity, that immunity should always apply
19 narrowly, so we should be careful and we encourage
20 all other companies and entities represented here to
21 be similarly careful even in this official government
22 setting in avoiding inappropriate subjects and in

1 carrying out our important obligations under federal
2 and state antitrust laws.

3 We appreciate the opportunity to
4 provide the Commission with information concerning
5 our supplier diversity programs.

6 Union Pacific is the largest railroad
7 in North America, covering 23 states across two
8 thirds of the United States. Our Supplier Diversity
9 Program is a key component of our company's overall
10 diversity and inclusion strategy.

11 In 1982, Union Pacific was the first
12 Class 1 railroad to establish a formal companywide
13 supplier diversity program. Union Pacific sees a
14 return on investment within our program through
15 customer alignment, competitive marketing leverage,
16 and corporate responsibility, which is most
17 important.

18 Our vision is building America and
19 through the supplier diversity programs, UP helps
20 build America in providing opportunities to diverse
21 suppliers every day.

22 Suppliers support our operations with

1 fuel, engineering services, construction material,
2 and other contracted services and much more.

3 Our spending with diverse suppliers
4 continues to grow. In 2018, Union Pacific purchased
5 approximately \$357 million in goods and services from
6 more than 2100 minority, women, and veteran owned
7 businesses in 45 states.

8 In Illinois, Union Pacific spent
9 approximately 22 million or 1.5 percent with diverse
10 suppliers in 2018. While our goal is to grow the
11 supplier base and see this number grow, we believe
12 there are many opportunities for diverse suppliers.

13 Union Pacific is committed to grow
14 and expand -- and expansion of its program is working
15 to align supplier base to implement programs within
16 their organization.

17 Earlier this year, my team and I had
18 the opportunity to meet representatives from
19 different Illinois minority organizations, including
20 HSEIA, and the Chicago chapter of the MSDC.

21 Union Pacific conducts annual
22 performance reviews with our strategic suppliers. As

1 part of the annual review, suppliers are evaluated
2 based on their performance with diverse suppliers.
3 Scoring is based on the following criteria: One, do
4 UP strategic suppliers report Tier 2 spending, and,
5 two, do they have a formal Supplier Diversity Program
6 or policy.

7 Union Pacific works with local,
8 regional, and national supplier diversity
9 organizations. UP is interested in partnering with
10 these organizations and local state chambers to host
11 focused meetings with qualified vendors to help them
12 gain supplier approval status in our system so that
13 we can create and be able to bid on projects.

14 Union Pacific is a member of the
15 Mountain Plains Minority Supplier Development
16 Council, and I serve as a board member. In fact,
17 Union Pacific has had board representation with this
18 group for over 11 years.

19 Union Pacific also mentors for other
20 local companies who are interested in supplier
21 diversity. In addition and separate from supplier
22 diversity, Union Pacific employees diversity

1 mirrors the communities which we operate in. That
2 is because our employees not only work, but live in
3 the communities across Illinois and our 23-state
4 network.

5 Thank you.

6 MS. RABCZAK: Thank you, Wes.

7 With that, I would like to invite
8 Larry Lloyd.

9 Larry, are you with us?

10 MR. LLOYD: I am. Thank you very much.

11 Good morning to the Commissioners. I
12 just want to take a quick second to say I really
13 appreciate being given the opportunity to highlight
14 CN's role as the backbone of the North American
15 economy as well as the work we do to promote
16 diversity across the continent.

17 I really apologize for not being
18 there in person. We've had a confluence of events
19 where we have four members of Congress that wanted to
20 meet with CN and some other railroads in Michigan.
21 So unfortunately, I'm there attending that and not
22 there with you in person. But, again, I really

1 appreciate the opportunity to chat with you a minute
2 about it.

3 So 2019 marks the 100th year of
4 business for CN. We're a leading transportation and
5 logistics company and the only transcontinental
6 railroad in North America. Our nearly 20,000 miles
7 of networks span Canada and middle America,
8 connecting nine cords on three coasts and in the
9 Great Lakes.

10 Our resource rich and manufacturing
11 intensive network provides connections to 75 percent
12 of consumers across North America. When we say CN is
13 the true backbone of the economy, it reflects the key
14 role we play in fostering the prosperity of the
15 communities we serve.

16 Our ability to fully integrate rail
17 logistics -- Intermodal Trucking was the safest
18 highway trucking company in Illinois in 2018, by the
19 way, and reshipping allows us to transport over 300
20 tons of cargo worth \$250 billion.

21 The home of Illinois Central acquired
22 by CN in 1998, the Prairie State is CN's largest

1 state in terms of operations, with 1,250 miles of
2 track and over 1,700 employees. Our North American
3 route converged in Chicago and linked the former
4 Elgin Joliet and Eastern Railway acquired in 2009,
5 and this forms CN's core route around Chicagoland,
6 itself.

7 Homewood, a Chicago suburb, is home
8 to CN's U.S. corporate headquarters and our
9 \$25 million state-of-the-art training center, which
10 opened in 2014. Our CN campus, as we call it,
11 delivers our enhanced railroader training program
12 focused on instilling and reenforcing a strong safety
13 culture across our whole continental network.

14 Adjacent to the CN campus is our
15 Markham yard and the Woodcrest (sic) shop, which are
16 the center of CN's mechanical functions in the entire
17 United States along with our Chicago intermodal
18 terminal.

19 CN's Illinois network serves some of
20 the state's biggest cities with significant
21 operations and yards in Centralia, Carbondale,
22 Decatur, Champaign-Urbana, Rockford, Springfield,

1 Freeport, and East St. Louis.

2 CN is committed to inclusivity and
3 diversity at the highest levels of the company. CN
4 recognizes the contributions of diverse persons to
5 all aspects of our business, including board
6 leadership and internal talent. Nearly 20 percent of
7 CN's executive leadership are women.

8 CN has adopted an active recruitment
9 policy to ensure that its executive leaders remain a
10 diverse cross-section. One out of every three
11 newly-hired employees in 2018 identified as a
12 minority or disadvantaged person. Our diversity
13 leadership council is responsible for enhancing
14 diversity and CN's cultural competence while
15 providing oversight on targeted diversity outreach
16 programs which cover aboriginal people, women,
17 persons with disabilities, and minorities.

18 CN's procurement and supply
19 management spent nearly \$10 million in 2018 and more
20 than \$24 million in 2017 with diverse-owned
21 suppliers. This includes purchases across CN's
22 network in the United States and Canada. We know,

1 however, that these totals are greatly understated,
2 because they do not include CN's spending on
3 diverse-owned suppliers from other departments which
4 include engineering and environmental.

5 CN is implementing a procurement
6 policy that recognizes the inclusion of diverse
7 suppliers and a commitment from its suppliers
8 generally. CN also is implementing new tools used to
9 monitor sourcing, including a new internal supplier
10 profile for procurement and supply management that we
11 hope to utilize as a way to identify more
12 diverse-owned suppliers.

13 We may -- CN may consider supplier
14 diversity and suppliers' commitment towards
15 sustainable development as a criteria for evaluating
16 supplier qualifications. Diverse-owned suppliers may
17 compete for opportunities to work with CN where they
18 satisfy CN's standards for the projects.

19 CN, like our other railroads, is
20 regulated by the federal government, including the
21 Federal Railroad Administration, and CN has
22 specialized purchasing requirements to maintain the

1 highest safety standards consistent with federal
2 regulation and ensure safety on the North American
3 rail network.

4 Our purchasing decisions -- we make
5 our purchasing decisions on a network basis as CN's
6 network spans multiple states in the U.S. and
7 provinces in Canada. Other evaluations include, but
8 are not limited to, safety performance, product and
9 service quality, technical capacity. CN awards
10 contracts for goods and services to suppliers deemed
11 to provide the best overall value to CN in these and
12 other areas of performance.

13 CN expects quality, costs, and
14 service requirements of every one of our
15 suppliers.

16 CN has a relatively new business
17 presence in the U.S.; however, our commitment to
18 diversity has been widely recognized in Canada. We
19 are one of Canada's top 100 employees for diversity.
20 The Canadian Council For Aboriginal Business has made
21 us procurement champions, and 19 percent of
22 promotions in Canada were filled by women, and across

1 our network, the number of women hired in skilled
2 trained positions has more than doubled on a
3 year-to-year basis in -- since 2014.

4 These success stories are driving us
5 to speak out and develop like-minded initiatives in
6 the U.S., such as our new support for the National
7 Society of Black Engineers. This new partnership, we
8 hope, will allow us to not only recruit a more
9 diverse workforce, but also open up additional
10 opportunities for suppliers to interact and obtain
11 contracts with CN.

12 Having a workforce with unique
13 talents that reflects the diversity of our customers
14 we serve and the communities in which we operate we
15 identify as being a key contributor to our future
16 success.

17 And with that, I'll be willing to
18 answer any of your questions or concerns later in the
19 program. Thank you very much.

20 MS. RABCZAK: Thank you, Larry.

21 With that, I would like to pass the
22 microphone to Peter Skosey.

1 MR. SKOSEY: Good morning. Peter Skosey.
2 I'm Executive Director of Government Affairs for
3 BNSF Railway. It's a pleasure to be here this
4 morning.

5 BNSF railway is very proud of our
6 supplier diversity program, which is a key component
7 of our overall diversity and inclusion strategy. The
8 program provides value and competition in the supply
9 chain through inclusion in the RFP process, local,
10 regional, and national stakeholder outreach,
11 partnership with certification councils and other
12 supplier diversity professionals, and finally,
13 through utilizing BNSF's supplier pre-assessment
14 tool.

15 BNSF believes that our supply base
16 should mirror our diverse workforce as well as mirror
17 the diverse communities and diverse customers that we
18 serve.

19 BNSF operates in 28 states and three
20 Canadian provinces utilizing 32,500 miles of track.
21 Overall, our workforce represents the communities
22 through which we operate.

1 BNSF is proud to report that in 2018,
2 40 percent of our new hires were minorities and
3 women. BNSF is an industry leader in diversity,
4 having been recognized for the fifth year as a
5 top-50-stem Native American employer and included in
6 Minority Engineer Magazine's annual top 50 employer
7 lists for 2018.

8 Much of the work performed throughout
9 our network is done by our diverse full-time work
10 force. However, when we have the opportunity to
11 engage suppliers, we strive to identify qualified
12 diverse-owned companies.

13 Some of the affiliated certification
14 agencies and councils that BNSF works with, supports,
15 and sponsors include the National Center for American
16 Indian Enterprise Development, National Minority
17 Supplier Development Council, U.S. Hispanic Chamber
18 of Commerce, Women's Business Enterprise Council.

19 In Illinois specifically -- national
20 conferences rotate across the country and
21 occasionally land in Illinois. BNSF attends those
22 major conferences each year in any state, but those

1 that have been held in Illinois recently include the
2 Chicago Business Fair on Navy Pier this past -- I
3 believe it was April or May. We were a sponsor and
4 spent three days on Navy Pier speaking with Illinois
5 and other diverse suppliers, the Get on Board events
6 in 2013 and 2019, the National Minority Supplier
7 Diversity Council National Conference, which was
8 held in Chicago in 2016, and the U.S. Hispanic
9 Chamber of Commerce National Conference, which was
10 held in 2013.

11 Additionally, we attend the Native
12 American Reservation Economic Summit. That is always
13 held in Nevada.

14 BNSF serves on the board of directors
15 and committees for the Women's Business Enterprise
16 Council affiliate, the Chair of the National Minority
17 Supplier Development Council's Railroad Industry
18 Group, and as a member of that transportation group.

19 BNSF utilizes a web-based portal, the
20 aforementioned supplier pre-assessment tool, for
21 potential suppliers to submit a profile of their
22 company. This is a critical step for a supplier to

1 make themselves known to BNSF and to remain visible
2 on an ongoing basis. Based on the materials and
3 services noted in the profile, it is immediately
4 routed to the appropriate sourcing team.

5 Our supplier diversity manager
6 actively monitors and serves as a liaison between
7 buyers and suppliers on a consistent basis. Of the
8 687 suppliers, diverse and nondiverse, that have
9 profiles in the supplier pre-assessment tool, 63 are
10 based in Illinois and 9 are categorized as diverse
11 owned.

12 The range of materials and services
13 purchased from diverse-owned suppliers include
14 construction services, customer event coordination,
15 equipment rentals, environmental services,
16 information technology services, leadership training,
17 legal services, lodging, machining and tooling, rail
18 car lubricants, staff augmentation, telecom
19 materials, positive train control materials, signal
20 materials, and video production services.

21 Note, fuel, electromotives, and rail
22 were -- for fuel electromotives and rail, there are

1 currently no diverse suppliers.

2 We do a lot of maintenance with our
3 own workforce on a day-by-day basis.

4 We are trying to get our prime
5 suppliers to do a better job reporting their Tier 2
6 spend to us, and this number is increasing
7 dramatically. We anticipate an increase in this
8 category for 2019.

9 In 2018, BNSF spent a total of
10 \$586 million on diverse suppliers. 491 million of
11 that was in prime, and 95 million was in Tier 2. Of
12 the 491 million prime, 221 million was women owned,
13 45 million minority, 15 small disadvantaged business,
14 and 210 veteran.

15 I'll save the other remarks for
16 comments if we have them. Thank you.

17 MS. RABCZAK: Thank you, Peter.

18 Melissa, are you still with us?

19 MS. SMITH: Yes.

20 MS. RABCZAK: Thank you. The floor is
21 yours.

22 MS. SMITH: Good morning. I'm Mel Smith,

1 Manager of Procurement here. Thank you for the
2 opportunity to speak with you this morning.

3 As a little bit of background, I'm
4 headquartered or in the headquarter location here in
5 Kansas City, Missouri, and our company was founded in
6 1887 by Arthur Stonewall. We operate in the
7 United States, Mexico, and Panama, and we have three
8 railroads, the Kansas City Southern Railway Company
9 in the U.S., Kansas City Southern New Mexico in
10 Mexico, and we have the Panama Canal Railway.

11 We operate in ten states here, so
12 we're not nearly as big a footprint as some of the
13 other roads, and we have obviously a presence in
14 Mexico.

15 We have an established supplier
16 diversity program and it falls under my
17 responsibility as the procurement manager, but there
18 is not a dedicated resource for this initiative as
19 there was historically. And as such, 2018 brought a
20 lot of increases throughout our program.

21 We've got 54 million in diverse
22 spend. We've been signing contracts with some larger

1 Asian-owned firms that have dramatically increased
2 our spend in the category, which you'll see on the
3 slide that I sent in.

4 To help with our efforts here in
5 Kansas City, we're a member of the procurement round
6 table here locally, and there's a supplier diversity
7 subcommittee that participants in local events
8 through the Kansas City Chamber of Commerce and
9 community college diversity events. We partner
10 with a lot of colleges. For example, there's a
11 Veteran's Day event coming up, and all of the
12 suppliers that are going to be there are
13 veteran-owned businesses looking for an opportunity
14 with local companies.

15 Because of our commitment to project
16 excellence, the Supplier Diversity Program is maybe a
17 little bit more organic than others. We don't target
18 specific businesses based on the size or try to
19 increase spend in our categories.

20 We're really connected with our
21 business partners internally to secure the best
22 vendor for the work regardless of their status. We

1 don't have stated spend goals for the program. It's
2 really purposeful to try to award the business to
3 the supplier that is best for Kansas City Southern,
4 but we do make a concerted effort to increase our
5 supplier diversity by making sure that all bids
6 that we send out have a diverse supplier when
7 possible. It's mandatory as long as there's a
8 supplier in the market that can provide these types
9 of services.

10 We allow suppliers to register on our
11 website, and we rely heavily on that procurement
12 round table if we're struggling to find a supplier in
13 the area for big corporations in Kansas City that
14 already have this figured out that have locations in
15 areas similar that we have.

16 So that's my summary. I'm happy to
17 take any questions at the end.

18 MS. RABCZAK: Thank you, Melissa.

19 Next we have Miss Arielle Giordano.

20 MS. GIORDANO: Good morning, Chairman
21 Zalewski, Commissioner Kimbrel, Commissioner Sheahan,
22 Commissioner Bocanegra, Commissioner Oliva.

1 My name is Arielle Giordano, and I'm
2 Canadian Pacific's Director of Federal and State
3 Government Affairs, and I thank you for allowing me
4 to be here.

5 CP is connected to increasing
6 diversity. This includes striving to maintain and
7 increase diversity at the board level due to our
8 executives, senior management, and employees. CP is
9 a founding member of the Canadian Board Diversity
10 Council, an organization that is dedicated to
11 advancing diversity on Canadian boards.

12 CP is also a corporate partner of the
13 League of Railway Women. CP is actually excited to
14 announce that our new Chair of the Board that took
15 over this May, Miss Isabelle Courville is the first
16 female Chair of any board of any Class 1 railroad.

17 CP is also a member of the 30 Percent
18 Club, a leading international organization created
19 with the aim of achieving gender balance at all
20 levels of an organization. CP understands that a
21 diverse and inclusive work environment provides a
22 broader range of experience and perspectives that in

1 turn create a stronger and more successful railway.

2 CP's Disadvantaged Business

3 Enterprise Program has a number of different
4 components.

5 CP is committed to its policy of
6 nondiscrimination in its purchase of goods and
7 services throughout North America. Our policy is to
8 offer equal opportunity to all capable vendors
9 regardless of race, color, religion, national origin,
10 sex, age, or physical handicap.

11 CP recognizes the importance of
12 objectives of the DBE program, which provides
13 opportunities for businesses in which at least 51
14 percent of the ownership and the management are
15 controlled by U.S. citizens from one or more of the
16 following groups: African Americans, Hispanics,
17 Portuguese, Asian Americans, Native Americans,
18 Alaskan natives, and females of any race.

19 CP's diversity spend has 35 active
20 suppliers across the network that are identified as
21 diverse suppliers and 97 percent of those are based
22 in the United States. 46 percent identified as

1 female, 40 percent identified as minority, 9 percent
2 identified as Asian, 5 percent identified as
3 Hispanic.

4 Our diverse spend in Illinois for
5 2018 is determined using the following three
6 criteria: First, supplier is identified as a diverse
7 supplier. Second, the supplier's headquarters has to
8 be located in Illinois. It cannot be a branch
9 location. And third, the work or services were or
10 will be performed in Illinois or the goods were
11 produced in Illinois.

12 We have three diverse suppliers
13 identified in the State of Illinois. Our 2018 spend
14 for those were 6.8 million U.S. dollars, and that's 5
15 percent of our Illinois spend.

16 CP has a plan to increase
17 participation in our program. First is information.
18 We need to encourage increased participation by DBEs
19 across our network.

20 Second is technology. We want to
21 explore technology to incorporate additional
22 diversity categories at the initial stage of the

1 supplier on-boarding process. We want to improve
2 diversity metrics reporting as well.

3 Third is consultation. We would like
4 to consult with Rail Marketplace to identify current
5 and potential future minority suppliers by location
6 and spend category. Rail Marketplace is an
7 e-commerce exchange created by North America's
8 largest railroads to enable communities to maximize
9 their supply chain processes.

10 Fourth is membership to different
11 organizations beyond what we are already a part of.
12 We are currently considering a membership to the U.S.
13 National Minority Supplier Development Council.

14 Again, I would like to thank the
15 Chairman, remaining Commissioners for having me here
16 today. I welcome any and all questions, and I
17 welcome any lists you have of DBEs in the State of
18 Illinois.

19 Thank you.

20 MS. RABCZAK: Thank you, Arielle.

21 Next we have Lisa Hollman.

22 Are you still with us?

1 MS. HOLLMAN: I am.

2 MS. RABCZAK: Thank you, Lisa.

3 MS. HOLLMAN: Good morning. I'm Lisa
4 Hollman, a staffer in Norfolk Southern's Sourcing
5 Department who oversees the company's Supplier
6 Diversity Program.

7 Norfolk Southern Corporation is one
8 of the nation's premier transportation companies.
9 Its Norfolk Southern Railway Company subsidiary
10 operates approximately 19,500 route miles in 22
11 states and the District of Columbia. It serves every
12 major container port in the eastern United States and
13 provides efficient connections to other rail
14 carriers.

15 Norfolk Southern is a major
16 transporter of industrial products, including
17 chemicals, agriculture, and metals and construction
18 materials. In addition, the railroad operates the
19 most extensive intermodal network in the east and is
20 a principal carrier of coal, automobiles, and
21 automotive parts.

22 In 2018, Norfolk Southern utilized

1 DBEs at 261 count with a spend of \$167.6 million.

2 Norfolk Southern is in the process of rolling out a
3 new data base by the end of 2020 which should help us
4 better track diverse suppliers.

5 With the Ariba Marketplace, we will
6 be able to tap into a broader diverse group of
7 suppliers giving us a new procurement platform for
8 suppliers in general, a better way to manage our own
9 day-to-day activities.

10 Ariba will be taking on a lot of what
11 we currently do manually, particularly with gathering
12 certificates and allowing suppliers to self-report
13 their updates.

14 Norfolk Southern participated in the
15 January 2019 CREATE Get on Board event. While in
16 attendance, we met a number of diverse spenders that
17 were interested in doing business with NS. We
18 discussed our on-board process and recommended DBEs
19 gain access to the projects working as a Tier 2 under
20 a prime, which will allow them to get their foot in
21 the door while building up a track record of their
22 own.

1 In May 2019, NS participated in the
2 CREATE project EW-2 event where we selected a team
3 with one prime consultant and 11 subconsultants, of
4 which 8 of those 11 were DBEs. 15 will provide
5 program management and track design services for a
6 portion of the CREATE project EW-2. This is one of
7 the four projects that make up the 75th Street
8 Corridor Improvement Project.

9 The CREATE partners' commitment to
10 creating economic opportunities in the surrounding
11 neighborhoods is reflected in both the DBE
12 participation goal of 25 percent for this work as
13 well as the number and size of project elements in
14 the RSP. Alford Emission Company (phonetic), which
15 is the project prime, has pledged to create a
16 mentor-protege' program for three of the DBE firms
17 that will perform design work for this project. This
18 arrangement will include close guidance and
19 assistance to develop railway's design expertise.

20 This mentor-protege' program goes
21 beyond including DBEs in the contract for fostering a
22 wider talent pool of more experienced DBE firms to

1 performing railroad bridge and track design work on
2 future projects.

3 The final design of Project EW-2 is
4 anticipated to begin later this year. There will be
5 additional RFP packages for bridge design engineering
6 on Project EW-2 in 2020 and design engineer,
7 construction, and supplier opportunities on an
8 ongoing basis for the 75th Street Corridor
9 Improvement Project.

10 DBE firms are encouraged to register
11 through the CREATE website for email invitations to
12 respond to professional service bids, opportunities
13 for contracted work.

14 Norfolk Southern appreciates the
15 opportunity to address the ICC today and for
16 continuing our partnership. Thank you.

17 MS. RABCZAK: Thank you, Lisa.

18 And, also, we have with us Brett
19 Guarino. Thank you.

20 MS. GUARINO: Thank you, Madam Chair. My
21 name is Brett Guarino from CSX Transportation based
22 here in Chicago, and I'm also CSX's Project Manager

1 to the Chicago Environmental and Regional
2 Transportation Efficiency Program or the CREATE
3 Program.

4 I have been with CSX for nine years.
5 Here in Chicago for four. And I have a civil
6 engineering background.

7 I'm also joined today by Tom
8 Livingston, who is our head of State Government and
9 Community Affairs, and Tom is also based here in
10 Chicago.

11 CSX is headquartered in Jacksonville,
12 Florida, and our network is across 21,000 miles of
13 track east of the Mississippi River, to the Atlantic
14 Ocean, south to the Gulf of Mexico, and north to the
15 ports of New York.

16 In Illinois, we have 870 miles -- 75
17 miles of track, with terminals in East St. Louis,
18 Ottawa, Danville, Riverdale, Chicago, and
19 Bedford Park.

20 CSX also participates -- also
21 appreciates the partnership with the Illinois
22 Commerce Commission in rail safety, the development

1 of quiet zones, and improvements from the Grade
2 Crossing Protection Fund.

3 CSX has several network-wide minority
4 suppliers that include office supplies, technology,
5 and legal work.

6 Presently, CSX has broken ground on
7 one of the CREATE rail crossover projects in
8 Bridgeview and Summit, Illinois. This is a
9 \$34 million project to improve train movements,
10 allowing trains to pass around each other through
11 parallel movements. The work was designed by STV
12 Engineering, and there is a 20 percent minority
13 project commitment throughout the construction
14 management as well as the construction, itself.

15 The project in Bridgeview is a subset
16 of the larger CREATE program and projects called the
17 75th Street Corridor Improvement Project. The
18 Corridor Improvement Project is \$474 million, of
19 which CSX and the freight railroads are committed to
20 contributing \$110 million of support, and CSX and the
21 railroads will maintain these projects and care for
22 them in perpetuity. Few if any other industry or

1 modes of transportation offers this.

2 Earlier this year, CSX selected
3 Parsons and Patrick Engineering (sic) as a team for
4 the larger portion of the corridor -- 75th Street
5 Corridor Improvement Project, which is a P3 project.
6 The project will include raising CSX over the Union
7 Pacific, Norfolk Southern, and the Belt Railway of
8 Chicago, as well as a grade separation on 71st Street
9 through West Englewood. This grade separation will
10 be a bridge that will help the community with better
11 mobility.

12 Last week, CSX joined Parsons, who
13 hosted a meeting to create community awareness around
14 the project as it relates to MBE and DBE firms, and
15 their contract also contains a 30 percent minority
16 participation commitment.

17 CSX is committed to successfully
18 working with Parsons and the minority contract and
19 supplier community.

20 Year to date, CSX's diversity spend
21 in our network is \$50.5 million. Year to date, CSX
22 has conducted business with 123 diverse suppliers, 62

1 of which are women-owned businesses, 13 veteran-owned
2 businesses, 31 minority-owned businesses, and 17
3 certified small businesses. Eight of those 123
4 diverse suppliers are located here, specifically
5 headquartered here in Illinois, as well as many
6 others across our network.

7 Our Illinois-based minority suppliers
8 include legal work, catering, building demolition,
9 trucking, and communications.

10 We are also members of HSEIA, the
11 Cook County Forest Preserve Foundation, and
12 participants in many national conferences dedicated
13 to supplier diversity.

14 Again, CSX is committed to promoting
15 and fostering an inclusive procurement process that
16 provides opportunities for all suppliers regardless
17 of size or social or economic distinction, such as
18 age, race, creed, color, sex, ancestry, or national
19 origin.

20 In order to ensure that diverse
21 business enterprises have an opportunity to supply
22 the required services and commodities, CSX initiated

1 a diverse supplier procurement program under which we
2 will ensure a continued focus on improving supplier
3 relationships with small minority and women owned
4 businesses.

5 Demonstration of CSX commitment to
6 promote the maintenance and growth of diverse
7 suppliers under the Diverse Supplier Procurement
8 Program will take the form of attending events on
9 attracting diverse suppliers. One, in order to
10 familiarize such suppliers to the products and
11 services that are essential to the operations of CSX
12 and, two, to increase CSX's awareness of diverse
13 suppliers that meet those needs.

14 Diverse suppliers with whom the
15 company has developed a business relationship are
16 also strongly encouraged to develop a broad customer
17 base to ensure an orderly growth and business
18 environment.

19 CSX recognizes the propriety nature
20 of supplier revenue and will preserve the privacy of
21 our suppliers by only reporting aggregated spend
22 information.

1 Thank you so much for this time
2 today.

3 MS. RABCZAK: Thank you, Brett, and thank
4 you everybody for your highlights.

5 With that, I would like to open the
6 floor to the questions. Does any Commissioner or the
7 Chair have any questions?

8 CHAIRMAN ZALEWSKI: Hi. Thank you. I
9 appreciate all of your presentations. I appreciate
10 your filing. I know it's not mandatory.

11 I have more of a request. Looking
12 through the different reports, what I think would be
13 very helpful for us to have a better understanding,
14 you explain some of your programs and what you're
15 doing to increase the numbers, but it's easiest I
16 think to see it reported in a chart.

17 I know you guys are great about each
18 doing an individual report, which is helpful, but it
19 seems the charts -- they're kind of all different,
20 and if there was kind of a combination between UP's
21 and BNSF for next year where it's broken down
22 by dollars spent, percentage, and the type of

1 category, and then broken down by whether it's
2 minority owned or veteran owned. It makes it easier
3 and more digestible and understandable. So that
4 would be my request for next year.

5 COMMISSIONER BOCANEGRA: I'm Commissioner
6 Bocanegra.

7 That might answer some of my
8 questions. Most of it was related to actual
9 categories of spend.

10 For example, I think, Mr. Skosey, you
11 gave your numbers, but my question for you was what
12 were the biggest areas of spend in terms of services,
13 if you know?

14 MR. SKOSEY: Yes. So we did not break it
15 out in terms of services. Some of the contracts are
16 smaller than others and some of them are single
17 contracts. There's a -- there's a concern that that
18 might then reveal what the actual contract amount
19 was, because you could very easily deduce then the
20 supplier in that specific contract.

21 That's, of course, not true for all
22 of the diverse spend, but it's true for a couple of

1 them, and it made it a little difficult to break out
2 some and not others. So we did not report on
3 specifically the services rendered by the diverse
4 suppliers.

5 COMMISSIONER BOCANEGRA: One of the
6 questions I had, I guess -- Mr. Skosey, this is still
7 for you. You mentioned that you guys had a certain
8 percentage of new hires. Can you share with us in
9 what areas?

10 MR. SKOSEY: Oh, I mean, there's 40,000
11 BNSF employees, so that's literally across every
12 aspect of hiring throughout the company. So that's
13 everybody from headquarters in Ft. Worth to all the
14 people that keep the trains running on the lines, to
15 the folks in the various stations. It was an
16 aggregate total of the entire bundle.

17 COMMISSIONER BOCANEGRA: Thank you.

18 I had one more question.

19 Do you guys have anything else right
20 now? Give me just a minute.

21 COMMISSIONER KIMBREL: I think I'd just
22 like to emphasize the fact that we're not seeing

1 uniformity in the reports. I think as the Chair
2 mentioned, a combination of a few of the reports
3 would kind of help bring things together.

4 But the Illinois spend versus the
5 overall spend, the Illinois diverse spend versus the
6 overall diverse spend, the categories of spend and
7 the categories of diversity. They're all glaring.
8 You guys are not covering everything.

9 We need you guys to bring that
10 together for us so we can kind of see what's
11 happening and, hopefully, you guys can end up working
12 together and find the diverse suppliers that you need
13 to meet these requirements.

14 Are there any challenges you face in
15 attempting to accomplish that?

16 MR. SKOSEY: I have not studied the other
17 reports, I suppose, to the extent that you're
18 suggesting in terms of which categories we're
19 reporting on versus my peers. So without doing that,
20 I can't say.

21 But we'll take a look at that, and
22 it's certainly something we can work on for next

1 year.

2 COMMISSIONER KIMBREL: Would everyone be
3 open to working together to give us a more
4 complete report and a uniform report? Is that a
5 possibility?

6 MR. HUTCHERSON: Yes. It is possible.
7 Just keep in mind, all of us have different systems,
8 and the way that we may report our spend in our
9 system may be slightly different.

10 We -- at Union Pacific, we break our
11 spend out into 16 separate categories. We can do a
12 deep dive in each one of those categories. We can
13 give you a lot more detail.

14 The concern that I would have
15 honestly is BN's breakdown might be slightly
16 different than ours. So I'm not sure you would get
17 the true apples-to-apples comparison that maybe
18 you're looking for. We'll do the best we can. I'll
19 say that.

20 COMMISSIONER KIMBREL: I think that would
21 be very much appreciated, and I understand the
22 challenge.

1 MR. SKOSEY: Just throwing in another
2 comment, if I may, to that end. There are -- I saved
3 these comments until the end, but in addition to the
4 certified spend that we reported on the chart, we do
5 have 624 suppliers with a total spend in 2018 of
6 183 million that may meet the requirements. Those
7 suppliers were not certified by a recognized council
8 or agency, so we did not report those.

9 We're trying to work with those folks
10 to get them certified. That's up to them.
11 Obviously, we can't force them to do that.

12 And in addition to that 183 million,
13 there was another 842 million spent on 1500 suppliers
14 in what is called the System Forward Management Data
15 Base. This is where suppliers register as a small
16 business, but they, again, also are not categorized
17 as diverse.

18 So to your point, and I guess to the
19 challenge of some of this aggregation, being able to
20 categorize people in the proper bucket, so to speak,
21 is even challenging for us as we're trying to work
22 through these numbers as well.

1 COMMISSIONER BOCANEGRA: I have a question
2 for Mr. Lloyd.

3 MS. RABCZAK: He had to leave early, so I'm
4 not sure if he's still there.

5 Mr. Lloyd, are you still there?

6 (No response.)

7 COMMISSIONER BOCANEGRA: I'll just state
8 for the record, my question would have been why did
9 spend -- if I wrote this correctly -- why did it
10 decrease from 2018 compared to 2017. Thank you.

11 MS. RABCZAK: Does anybody on the phone
12 have any comments?

13 (No response.)

14 MS. RABCZAK: Do we have any more questions
15 from the Commissioners?

16 COMMISSIONER KIMBREL: I guess I would have
17 another suggestion that, perhaps, you come in and
18 meet with us prior to the annual meeting and prior to
19 the submission of your reports and that we could work
20 together on the issues that you're facing.

21 MS. RABCZAK: Thank you.

22 With that, we don't have anymore

1 questions from the Commissioners.

2 Does anybody in the audience have any
3 questions? Can you please state your name for the
4 court reporter and who you represent? Thank you.

5 MR. JOHNSON: Hi. Dan Johnson. I work
6 with HSEIA and the Federation of Women Contractors.
7 I just want to thank the Chair for her zealous
8 advocacy to implement this law and the Class 1
9 railroads for showing up.

10 Just a quick question. Would any of
11 the railroads be able to share what opportunities you
12 see coming down the track, so to speak, for potential
13 entrepreneurs to look at who might be able to work
14 with you, what sort of things you might be looking
15 for that and we can get the word out for folks to
16 come and contact you about? Thank you.

17 MR. HUTCHERSON: Well, one of the
18 opportunities -- and I was fortunate enough to meet
19 with the HSEIA group earlier -- late last month, and
20 we talked about some of the opportunities that we see
21 coming in the next few months, and I'll just speak
22 broadly in certain categories.

1 Categories such as construction,
2 asphalt maintenance, with the upcoming winter, snow
3 removal, demolition. Those were some of the
4 opportunities.

5 We were fortunate enough during the
6 meeting that we were able to receive a list from
7 HSEIA of potential suppliers, and we are in the
8 process of working to have those suppliers register.

9 And I will tell you, at Union
10 Pacific, our registration process is pretty rigorous.
11 It takes some time. I tell many of the suppliers,
12 get a cup of coffee and just be prepared to sit there
13 for a couple of hours, because we need quite a bit of
14 information from you.

15 So what we really hope to do as time
16 goes on is not only just ask them to register, but we
17 want to be able to provide ongoing support. Myself,
18 I have a manager who is responsible for diversity as
19 well. We want to be available to a lot of those
20 suppliers who may have questions, concerns, timing of
21 bids, those type of things.

22 So we're making every effort to make

1 ourselves not only available to them for questions,
2 but also to let them know or give them some insight
3 as to when we believe those opportunities for bids
4 will come up.

5 MS. RABCZAK: Does anybody on the phone
6 want to answer that question?

7 (No response.)

8 MS. RABCZAK: We have room for one more
9 question, and then we'll close the session. Do we
10 have any questions from the audience?

11 I will just end with the last
12 question.

13 Are there any challenges that you see
14 attracting Illinois diverse suppliers? Thank you.

15 MR. SKOSEY: I don't think the challenges
16 with attracting Illinois diverse suppliers are any
17 different than the challenge of attracting any
18 diverse suppliers.

19 We do make a very good effort to get
20 out to the relevant forums, the relevant conferences,
21 talk about the process for engaging with BNSF, as we
22 all do.

1 And I mean, to the extent that it's a
2 challenge, it's getting people to follow up and
3 follow through on that.

4 And I guess I would answer, Dan, your
5 question that if there is a provider out there who
6 can provide a service potentially to the railroad, I
7 would get them in the queue now. I mean, whether or
8 not there's a specific need for that service in
9 the next month or two or three, let's just get that
10 ball rolling now. Some of it goes out quickly. Some
11 of it is more planned and timely, but might as well
12 get that ball rolling sooner rather than later.

13 MR. HUTCHERSON: I would also like to just
14 comment briefly. When I think about challenges, we
15 do run into challenges as far as finding diverse
16 suppliers who understand railroad operations and all
17 things associated with railroad operations.

18 When we have, especially
19 construction projects at or near our rails, there are
20 certain requirements we're required to follow, and
21 it's important that diversity suppliers understand
22 what those requirements are. Many times, we will

1 start diverse suppliers on smaller projects just
2 to ensure they're comfortable with those
3 requirements.

4 So the challenge is -- for us is
5 finding suppliers that are willing to work with us
6 and to develop a relationship over time. Because it
7 takes time in order to -- you know, if you have never
8 worked in the rail industry or worked at or near a
9 rail or tracks, it's different, and we just need
10 suppliers who are willing to work and to -- to work
11 with us and to -- let's nurture a long-term
12 relationship.

13 MS. RABCZAK: Thank you.

14 CHAIRMAN ZALEWSKI: I have a question. I
15 appreciate what you're saying, Mr. Hutcherson. I'm
16 wondering, is there an opportunity for -- I just
17 wonder if there's an opportunity for the railroads to
18 get together to collaborate both on ideas of ways to
19 increase diverse spend, but also potentially share a
20 data base of diverse suppliers. If there isn't, if
21 there's a potential going forward? I'll direct it to
22 anybody.

1 MR. HUTCHERSON: I can tell you -- I mean,
2 all of us are part of what's called Rail Marketplace.
3 It's a rail initiative that all Class 1 railroads
4 participate in.

5 We do several benchmark exercises
6 throughout the year, and I know one that we've
7 recently done was dealing with supplier diversity.
8 We believe that there are opportunities to really
9 share information between the railroads. I'm not
10 sure how that study ended. It was really more of a
11 benchmarking that we did, I think, last year.

12 But there are opportunities that we
13 can learn from each other to identify other diverse
14 suppliers who may not work in our particular -- for
15 our particular railroad.

16 CHAIRMAN ZALEWSKI: Okay. That's great.
17 I'd love to hear more about it maybe next year in the
18 reports, too.

19 Thank you. We appreciate you all
20 being here today. We do appreciate the individual
21 filings. That is helpful. I think there were some
22 great suggestions here by the Commissioners, so

1 hopefully we can just build on this and work for even
2 more complete reporting next year.

3 With that, I, again, appreciate your
4 attendance and everyone who is here from the
5 audience, and the meeting is adjourned. Thank you.

6 (WHEREUPON, the meeting was
7 adjourned.)

8
9
10
11
12
13
14
15
16
17
18
19
20
21
22